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## EDITORIAL: Free Trade and Security

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If there's one thing that Americans on the left or right claim to agree on, it is that freer trade promotes economic development and political cooperation. So it's a bad sign that protectionists are suddenly trying to stop a free trade agreement with Oman, one of America's best friends in the Middle East. And right behind that, they're trying to stop an FTA with Peru, a poor friend in our own hemisphere.

Oman is the fifth Middle Eastern country to sign a free trade agreement with the U.S., joining Israel, Jordan, Bahrain and Morocco. Oman wants to modernize and diversify its economy, and free trade with the U.S. is part of that strategy. Two-way trade is now only \$1.2 billion a year, but the deal would make all U.S. industrial and consumer products duty-free immediately and phase out farm tariffs over 10 years. The country is also a stalwart friend in a rough neighborhood where we need all the help we can get.

So you'd think this would be an easy call. Nope. While the FTA passed the Senate last month with 60 votes, 34 Senators voted no, including 29 Democrats. And when the deal was approved in the House Ways and Means Committee on the same day, all 15 Democrats opposed it. Congressman Charles Rangel, ranking Democrat on Ways and Means, signaled the battle to come on the House floor by noting, "I don't believe we will have much bipartisan support on the question of Oman." Thanks for the statesmanship, Charlie.

Democrats claim that Oman's labor laws are inadequate. But the country has already agreed to bend to Democratic pressure to change those laws by October 31. That change will put its labor standards in line with those of Bahrain, whose FTA passed the House by 327-95 last year.

The real reason for Democratic opposition is that the AFL-CIO has laid down its own anti-free trade law. Democrats want to fire up their base before November's election, hoping to regain power and then rewrite any FTA next year to make it more protectionist. Or perhaps they'll let President Bush's fast-track negotiating authority expire as it is set to do in mid-2007, which would make nearly any open-trade deal impossible to pass.

Oman is also a political test drive for the bigger battle looming over an FTA with Peru this year. Lima quickly ratified the pact with the U.S. on June 28, but opposition is building in Congress. As it happens, the

U.S. market is already largely open to Peruvian goods under the Andean Trade Promotion Agreement. The FTA would open Peru's market far more to U.S. goods, which face a weighted average tariff of 9% and much higher on some products.

In 2005, U.S.-Peru two-way trade was \$7.4 billion, up from \$3.4 billion in 2001. According to the U.S.-Peru Trade Coalition, more than 5,000 U.S. companies export to Peru and roughly 80% are small and medium-size businesses. Under the FTA, 80% of U.S. industrial and textile products, and more than two-thirds of U.S. farm exports, would enter Peru duty-free immediately. Almost all tariffs would disappear within 15 years.

Peru's young population and natural resources make for a vibrant market for U.S. producers in machinery, plastics, cereals and mineral fuels, as well as wheat, cotton and coarse grains. Thomas Gales, Caterpillar Inc.'s Vice President for Latin America, told the U.S. International Trade Commission in March that Peru's 12% tariff on mining and construction equipment "can amount to a tax of more than \$100,000 on each off-highway truck that we make in Decatur, Illinois, and sell to Peru." Do the United Auto Workers understand their own self-interest here? The American Farm Bureau Federation estimates that farm exports to Peru could increase by \$705 million a year.

Venezuela's Hugo Chávez is offering his South American neighbors membership in a trade bloc that would freeze the U.S. out of commerce in the region. Peru clearly prefers the U.S. relationship, but if its FTA is rejected on Capitol Hill it may consider the Chávez option. On the other hand, a Peru FTA would expand U.S. influence in the region and have a chance to repeat the experience with Chile, which signed an FTA in 2004 and saw U.S. exports climb 33% that year and by an additional 43% in 2005.

With the Doha global trade round in danger of failure, FTAs become the only trade-expanding game in town. The alternative to U.S. trade leadership is a proliferation of regional deals that could hurt U.S. economic interests and lead to protectionist blocs of the kind that Señor Chávez wants to promote. To their credit, Democrats Hillary Clinton and John Kerry voted for the Oman FTA. House Democrats who oppose these bills for short-term political gain are sending a message that they don't deserve to govern.